

March 15, 2012

The Honorable John Walsh
Chairman, House Judiciary Committee
P.O. Box 30014
Lansing, MI 48909-7514

Dear Chairman Walsh:

We write to voice our strong support for Senate Bill 269 introduced by Senator Tonya Schuitmaker. Originally, this bill would have raised the threshold for filing in small claims court from \$3,000 to \$10,000, a ceiling that has not increased in over ten years. However, Senate Bill 269 was reported out of the Senate Judiciary Committee with an amended threshold of \$8,000 and shortly thereafter, the full Senate concurred with bi-partisan support. This year, California and Oregon both passed legislation that raises their small claims jurisdictional limit to \$10,000. Additionally, legislation has been introduced in the states of Minnesota, North Carolina, and Wisconsin to raise the threshold to \$10,000 or more. Though we prefer a higher \$10,000 threshold given that nine other states have limits of \$10,000 or more, in the spirit of compromise, \$8,000 is workable.

This legislation is crucial because often businesses and consumers alike often find themselves forced to use the legal system to recover debts owed to them. Those debts may be loans, overdrawn savings, overdue rental security deposits, delinquent rent, repair bills, physical damage or breach of contract, and simply collecting on money owed. Michigan's Small Claims ceiling effectively limits a business to filing in district court or not filing at all. Currently, businesses and consumers find themselves in a dilemma of whether they should take their debt to small claims court even if the debt is above the low \$3,000 limit, because they may often forfeit any amount over \$3,000 in expensive collection agency and legal fees if a debt is instead brought to the district court. Increasing the small claims limit would provide many businesses with an increased opportunity to pursue claims at low-cost. If those being sued wish to have attorney representation, the current structure still allows the option for them to use the district court system with an attorney, if they desire such.

While some collection industry representatives claim raising the small claims cap runs contrary to the historical nature of the purpose of the small claims process (settle small debts in a quick, efficient manner for consumers), Michigan (along with several other states) currently allows for both consumers and businesses to use the small claims process. If the cap had a meaningful raise such as that proposed in Senate Bill 269, many more people and businesses could benefit from the speed, efficiency, and lower costs inherent with the small claims process.

Michigan must continue to enact reforms to further improve its business climate in order for our economy and job market to grow. We strongly support Senate Bill 269 and ask you to support the bill as amended. Thank you for your consideration.

Sincerely,

Michigan Credit Union League & Affiliates
Michigan Chamber of Commerce
National Federation of Independent Business-Michigan
Small Business Association of Michigan
Michigan Association of Home Builders
Community Bankers of Michigan
Rental Property Owners Association of Michigan
Michigan Bankers Association